

REPORT

**Franklinton Area Economic
Development Foundation, Inc.**

Franklinton, Louisiana

**Compiled Financial Statements
For the Years Ended
October 31, 2007 and October 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/5/08

WILLIAM R. DURDEN

Certified Public Accountant

**820 11TH AVENUE
FRANKLINTON, LOUISIANA 70438**

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
Franklinton, Louisiana

Financial Statements
As of and for the Years Ended
October 31, 2007 and October 31, 2006
With Supplemental Information Schedule

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WILLIAM R. DURDEN

Certified Public Accountant

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MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

To the Board of Franklinton Area
Economic Development Foundation, Inc.
Franklinton, Louisiana

I have compiled the accompanying statements of assets and net assets-modified cash basis of the Franklinton Area Economic Development Foundation, Inc. (a nonprofit organization) as of October 31, 2007 and October 31, 2006, and the related statements of revenues, expenses, and other changes in net assets-modified cash basis, and the statements of cash flows – modified cash basis, for the years then ended, and the accompanying supplementary information-modified cash basis contained in Schedule I, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. I have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

I am not independent with regards to Franklinton Area Economic Development Foundation.



WILLIAM R. DURDEN, CPA

January 4, 2008

FINANCIAL STATEMENTS

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF OCTOBER 31

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,665.46	\$ 45,466.44
Investments		
Unrestricted	336,500.00	489,526.08
Restricted for business park	-	-
Other current assets	<u>677.43</u>	<u>1,898.02</u>
Total current assets	373,842.89	536,890.54
Other Assets		
Notes Receivable	50,000.00	75,000.00
Capital Assets		
Furniture, equipment, and sign (at cost net of depreciation)	<u>416.30</u>	<u>849.43</u>
Total assets	<u>\$ 424,259.19</u>	<u>\$ 612,739.97</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,200.00	\$ -
Deferred Revenue-State Act 14	<u>-</u>	<u>-</u>
Total current liabilities	<u>1,200.00</u>	<u>-</u>
Net Assets		
Restricted for business park	-	-
Unrestricted:		
Operating	422,642.89	611,890.54
Investment in fixed assets	<u>416.30</u>	<u>849.43</u>
Total net assets	<u>423,059.19</u>	<u>612,739.97</u>

See accompanying notes and accountant's compilation report.

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
For the years ended OCTOBER 31,

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Garbage tax rebate	\$ 28,164.09	\$ 96,489.50
Dues	7,620.00	6,180.00
Miscellaneous revenues	750.00	1,044.00
Total operating revenues	<u>36,534.09</u>	<u>103,713.50</u>
Operating Expenses		
Executive director fee	26,039.95	19,854.09
Advertising	3,547.00	
Accounting and annual compilation	1,800.00	1,800.00
Economic development and contributions	199,038.99	-
Depreciation	433.13	588.73
Miscellaneous labor	3,586.00	3,040.00
Dues & subscriptions	1,195.41	157.41
Postage and internet service	346.70	298.00
Insurance	1,275.28	932.28
Office supplies & expenses	1,661.37	794.86
Repairs & maintenance-building	180.00	244.00
Annual meeting	3,312.98	1,269.36
Management service	-	-
Maintenance of Office	1,677.79	1,167.43
Telephone	1,276.01	1,295.94
Utilities	1,392.94	1,501.39
Miscellaneous	93.99	-
Total operating expenses	<u>246,857.54</u>	<u>32,943.49</u>
Operating income (loss)	<u>(210,323.45)</u>	<u>70,770.01</u>
Non-operating Revenue(Expenses)		
Interest income	<u>20,642.67</u>	<u>20,552.78</u>
Change in Net Assets	(189,680.78)	91,322.79
Net Assets as of Beginning of Year	<u>612,739.97</u>	<u>521,417.18</u>
Net Assets as of End of Year	<u>\$ 423,059.19</u>	<u>\$ 612,739.97</u>

See accompanying notes and accountant's compilation report.

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
For the years ended October 31

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Received from garbage tax rebate	\$ 28,164.09	\$ 96,489.50
Received from dues	7,620.00	6,180.00
Received miscellaneous receipts	750.00	1,044.00
Paid for Operations	(219,184.46)	(12,500.67)
Paid to Employees	(26,039.95)	(19,854.09)
Net Cash Flows From Operating Activities	<u>\$ (208,690.32)</u>	<u>\$ 71,358.74</u>
Cash Flows From Capital and Related Financing Activities		
Paid for Capital Acquisitions		
Net Cash Flows From Capital and Related Financing Activities		
Cash Flows From Investing Activities		
Transfer from investment	153,026.08	(102,164.92)
Loan receipts	25,000.00	25,000.00
Receipt of Interest and Dividends	21,863.26	20,552.78
Net Cash Flows From Investment Activities	<u>199,889.34</u>	<u>(56,612.14)</u>
Net Change in Cash and Cash Equivalents	(8,800.98)	14,746.60
Cash and Cash Equivalents - Beginning of Year	<u>45,466.44</u>	<u>30,719.84</u>
Cash and Cash Equivalents - End of Year	<u><u>36,665.46</u></u>	<u><u>45,466.44</u></u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating Income (Loss)	\$ (210,323.45)	\$ 70,770.01
Adjustments to Reconcile Operating Income to Net Cash		
Flows From Operating Activities:		
Depreciation Expense	433.13	588.73
Increase (Decrease) in Account Payables	1,200.00	
Net Cash Flows From Operating Activities	<u>(208,690.32)</u>	<u>71,358.74</u>

See accompanying notes and accountant's compilation report.

NOTES TO FINANCIAL STATEMENTS

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
Notes to Financial Statements
October 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Franklinton Area Economic Development Foundation, Inc. (the Foundation) was organized as a nonprofit corporation on February 15, 1991, under the laws of the State of Louisiana. The Foundation's purpose is to promote economic development in the Franklinton area through encouraging manufacturing, processing and service firms to locate in the Franklinton area and render assistance to promote stability and growth to Franklinton area firms and industry that are currently providing employment opportunities. The Foundation's primary support is derived from a parish sales tax rededication concerning the landfill operating excess revenues, which flows through the Town of Franklinton from the Washington Parish Government. The Town of Franklinton allocates these funds based on a percentage established each year by the Board of Alderman. The Town is required to provide this percentage 90 days prior to December 1st.

The Foundation is a tax exempt organization as described in Section 501(a) of the Internal Revenue Code and thus, is exempt from federal and state income taxes.

Public Support and Revenue

Annual membership is available to individuals and businesses who meet the membership qualifications of completing a membership application, subject to approval by the Board of Directors, and paying the annual dues amount. Each member in good standing shall be entitled to one vote. Membership fees are generally available for unrestricted use and recognized as revenue when received.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Foundation has not recognized accounts receivable from members or the Town or accounts payable to vendors and their related effects on earnings in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with the modified cash receipts and disbursements basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.

Notes to Financial Statements

October 31, 2007

Property and Equipment

Property and equipment is carried at cost. Depreciation is provided using the straight – line method over the estimated useful lives of the assets. The following useful lives are 5, 7, and 10 years.

Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under code section 501(a) of the Internal Revenue Code and similar state provisions. The Foundation is also exempt from filing an annual report, form 990, with the Internal Revenue Service under Rev. Proc. 95-48, Section 3.1, due to the fact that the majority of its income is derived from a distribution of sales tax from the Town of Franklinton.

Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair value, and consist solely of Certificates of Deposit at local, Washington Parish financial institutions. The certificates have varying dates of maturity from 6 to 24 months.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget Information

The Foundation does not have a formal policy on adopting a budget. The budget for year ending October 31, 2007 was adopted at the Foundation's January 9, 2007 regular meeting. The Foundation did not amend the 2007 budget. All appropriations lapse at year-end. The budget revenues exceeded actual revenues by \$40,823 or 41.66% variance and budget expenditures exceeded actual expenditures by \$142,811 or 142.00% variance. The variances were caused by a reduction in landfill revenues of \$46,836 and expenditures of \$199,039 for sewer lines for the industrial park. Therefore, the Foundation was not in compliance with the Budget Act that requires that an agency's actual expenditures and revenue not vary from the budget amounts by more than 5%.

NOTE 3: CASH and CASH EQUIVALENT

The following is a summary of cash and cash equivalents at October 31, 2007:

Demand Deposits	<u>\$ 36,665.46</u>
Time Deposits	<u>336,500.00</u>
	<u>\$ 373,165.46</u>

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.

Notes to Financial Statements

October 31, 2007

These deposits are stated at cost, which approximates market. Under state law these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all time equal the amount on deposit with fiscal agent.

At October 31, 2007, the Foundation has \$373,251.59 (collected bank balances). These deposits are secured from risk by \$373,251.59 of federal deposit insurance from various banks that has certificate deposits for the foundation.

Even though the pledged securities are considered uncollateralized (category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Foundation that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4: NOTES RECEIVABLE

Notes receivable is represented by an unsecured promissory note due from HBTv, LLC. The original note of \$100,000 was dated July 20, 2004. Payment, plus interest at 4%, is to be made annually, over a five year period.

Terms of the note show that the loan will be interest-free providing borrower adds five (5) new employees a year, starting with the second year. Should the borrower add less than five (5) permanent jobs per year, after the first year, the interest rate reduction will be made based on the following schedule:

Five (5) Jobs	100% Reduction
Four (4) Jobs	80% Reduction
Three (3) Jobs	60% Reduction
Two (2) Jobs	40% Reduction
One (1) Job	20% Reduction
Zero (0) Jobs	0% Reduction

If the borrower adds at least Twenty-five (25) new and permanent jobs over the entire five (5) year period, no interest shall be due on the note and any annual interest paid by the borrower, over the period of the note, shall be reimbursed by the Foundation at the end on the five year period..

Following are the payments which have been made by HBTv, LLC since the inception of the loan:

Payment Date	Interest	Principle	Balance	No. of New Jobs
8/31/2006	\$ 4,000.00	\$ 25,000.00	\$ 75,000.00	0
8/31/2007	3,000.00	25,000.00	50,000.00	0

At October 31, 2007 the Foundation is contingently liable for \$7,000, should the borrower add 25 new jobs in the next two years.

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
Notes to Financial Statements
October 31, 2007

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>11/1/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>10/31/2007</u>
Furniture and Fixtures	\$ 147.84	\$ -	\$ -	\$ 147.84
Office Equipment	5,103.97	-	-	5,103.97
Sign	1,003.73	-	-	1,003.73
Less: Accum. Depreciation	<u>(5,406.11)</u>	<u>(433.13)</u>	<u>-</u>	<u>(5,839.24)</u>
	<u>\$ 849.43</u>	<u>\$ (433.13)</u>	<u>\$ -</u>	<u>\$ 416.30</u>

NOTE 6: INVESTMENT IN INDUSTRIAL PARK

The Foundation entered into an agreement with the Town of Franklinton to provide 66% of the purchase price of a 102-acre tract of land for the Town to develop into an industrial park. On November 21, 2002 the property was purchased for \$351,239. The Foundation's portion of the land cost was \$234,159. The land is titled in the name of the Town of Franklinton and the Town will retain 100% ownership in the property. Thus the investment in the land is recorded on the books and records of the Foundation as an expenditure, and not a capital asset.

In the 2007 fiscal year, the foundation provided funds for the construction of a sewer plant at a cost of \$199,039 in the industrial park.

NOTE 7: CONTRIBUTED SERVICES

On October 10, 1996, the Washington-St. Tammany Electric Cooperative, Inc., agreed to furnish the building for the office for the Franklinton Area Economic Development Foundation, Inc. There is no formal lease agreement, nor is any time period specified in the letter of donation from the Cooperative.

NOTE 8: INTERGOVERNMENTAL AGREEMENT

On June 23, 1992, the Town of Franklinton and the Franklinton Area Economic Development Foundation, Inc., entered into an agreement whereby, in exchange for certain services, in connection with economic development, in the Franklinton area, the Town obligates itself to make certain payments to the Foundation. The agreement was amended October 9, 2001, requiring the Foundation to make available for inspection and review by the Town's auditor, Mayor and Aldermen or duly authorized representatives, its books and records. In addition, the Foundation shall provide a copy of their annual financial statements completed by an independent certified public accountant or the Legislative Auditor of the State of Louisiana to the Town. The activities of the Foundation

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.

Notes to Financial Statements

October 31, 2007

will be reported to the Town after each monthly meeting by the Town's representative appointed to the Foundation board. The Foundation also agrees that if the Foundation dissolves or ceases to function as an economic development arm of the Town of Franklinton, all funds under its control at that time which were received from the Town shall revert to the Town of Franklinton in full ownership and control. The Town of Franklinton remitted to the Foundation 50% of the funds received from the Washington Parish Government for excess sales tax collections over operating expenses of the parish landfill operation, for the year ended June 30, 2006. The funds, totaling \$28,164.09, were received by the Foundation in April 2007.

NOTE 9: LITIGATION AND CLAIMS

As of October 31, 2007, there were no litigations or claims against the Foundation.

NOTE 10: RELATED PARTY TRANSACTIONS

The Franklinton Area Economic Development Foundation, Inc., had no related party transactions during the period covered by these financial statements.

NOTE 11: SUBSEQUENT EVENT

The Foundation and the Town of Franklinton enter into an agreement to construct a building in the Franklinton Industrial Park for Grand Isle Shipyard, Inc. at a cost of \$400,000. The Foundation has already provided funds for fencing, engineering, and other cost. The total cost of the project will be approximately \$685,000. Of this amount the Foundation will provide 75% of the funding, and the Town of Franklinton will provide the other 25%.

On December 11, 2007 the Town of Franklinton and Grand Isle Shipyard, Inc. enter into a lease purchase agreement, for the building. Grand Isle Shipyard, Inc. agreed to pay the Town \$5,708.33 per month for ten years with an option to purchase the property for the sum of \$685,000. No lease money will be applied to the purchase price.

The Foundation and the Town of Franklinton agreed to divide the monthly lease of \$5708.33 (less fire and hazard insurance premium) 75% and 25%, respectively, until such time as Grand Isle Shipyard, Inc. decides to purchase the building & land. At that time the selling price will also be divided by same 75% and 25% ratio.

SUPPLEMENTARY INFORMATION

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF REVENUE, EXPENSES, AND OTHER CHANGES
IN NET ASSETS - MODIFIED CASH BASIS - BUDGET/ACTUAL - SCHEDULE I
For the year ended October 31, 2007

	ORIGINAL BUDGET	ACTUAL	Variance
Public Support, Dues, and Revenues			
Excess landfill revenue	\$ 75,000.00	\$ 28,164.09	\$ (46,835.91)
Dues	7,000.00	7,620.00	620.00
Interest income	15,000.00	20,642.67	5,642.67
Miscellaneous	1,000.00	750.00	(250.00)
Total Revenues	<u>98,000.00</u>	<u>57,176.76</u>	<u>(40,823.24)</u>
Program Expenses			
Executive director fee	20,000.00	26,039.95	(6,039.95)
Advertising		3,547.00	
Contract Labor	3,500.00	3,586.00	(86.00)
Accounting	600.00	600.00	-
Economic Development	65,000.00	199,038.99	(134,038.99)
Annual compilation	1,900.00	1,200.00	700.00
Conferences & conventions	200.00	-	200.00
Contributions	500.00		500.00
Depreciation		433.13	(433.13)
Dues & subscriptions	500.00	1,195.41	(695.41)
Maintenance of Office	1,000.00		1,000.00
Legal fees	200.00		200.00
Postage	200.00	202.70	(2.70)
Insurance	1,200.00	1,275.28	(75.28)
Internet service	200.00	144.00	56.00
Office supplies & expenses	500.00	1,661.37	(1,161.37)
Repairs & maintenance-building	400.00	1,677.79	(1,277.79)
Annual meeting	1,300.00	3,312.98	(2,012.98)
Pest control		180.00	(180.00)
Telephone	1,200.00	1,276.01	(76.01)
Travel	200.00		200.00
Utilities	1,400.00	1,392.94	7.06
Miscellaneous	500.00	93.99	406.01
Total program expenditures	<u>100,500.00</u>	<u>246,857.54</u>	<u>(142,810.54)</u>
Change in net assets	(2,500.00)	\$ (189,680.78)	(183,633.78)
Net assets as of beginning of year	<u>612,739.97</u>	<u>612,739.97</u>	<u>-</u>
Net assets as of the end of year	<u>\$ 610,239.97</u>	<u>\$ 423,059.19</u>	<u>\$ (183,633.78)</u>

See accompanying notes and accountant's compilation report.

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.
COMPENSATION PAID BOARD MEMBERS
October 31, 2007

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No 54 of the 1979 Session of the Louisiana Legislature. Board members were not paid compensation in any form. Board members are elected every year at annual meeting.

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Franklinton La. 70438

T.J. Butler Jr.
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